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# **Norwel Equipment Co. Limited Partnership (L.P.) Internet Upgrade**

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*Norwel Equipment Co. Limited Partnership (L.P.) is a Louisiana business retailer of construction equipment specializing in John Deere heavy-equipment and has secured exclusive John Deere rights for most of the State of Louisiana. Founded in 1972, Norwel is the sixth largest John Deere construction equipment dealer in the United States. This case illustrates business and technology issues facing Norwel.*

*In mid-1999, the October 1<sup>st</sup> deadline for John Deere's requirement to communicate by e-mail was approaching and the response time of the Norwel's primary computers system, an AS/400, was increasing to the point where users were not satisfied with performance. Also users were requesting new computing services such as e-mail, document sharing, and Internet access. For example, the Parts Operations Manger suggested selling parts online and the Manager of the Used Equipment Division suggest supporting the sales staff through Internet connections. Managing Partner, Richard Hevey decided an upgrade to the networks and a connection to the Internet were needed. He is faced with both short-term and long-term decisions about Norwel's infrastructure.*

## **BACKGROUND**

Norwel Equipment is a Louisiana business retailer of construction equipment specializing in John Deere heavy-equipment. Founded in 1972, Norwel is the sixth largest John Deere construction equipment dealer in the United States. Although they sell new equipment, a significant amount of their business is in support, service, and used equipment. Used equipment sales and service cover all makes of construction equipment. Norwel values its partnership with Deere as its primary supplier of a high quality product and promises to "exceed customer expectations" in all of their business lines. In addition to John Deere equipment, Norwel has expanded in complimentary lines and has agreements with The

Charles Machine Works (Ditch Witch), Ingersoll-Rand, Barko Hydraulics, Morbark, and Broce and Tramac. Norwel is headquartered in Baton Rouge, Louisiana with three offices in Baton Rouge and eight others throughout the state, and employs about 120 people statewide.

Founded in Shreveport, Norwel's name was derived from its location in Northwest Louisiana, but through expansion and acquisition now serves the entire state. Norwel grew rapidly expanding both its range of services and covered territories. Figure 1 lists some of Norwel's major expansion milestones. The central parts warehouse, established in 1997, allowed Norwel "to establish FASTPART" and "PARTS AT NIGHT", two unique parts distribution systems that provide the best parts service anywhere" (Norwel, 2000, p. 2). Norwel has a considerable used and refurbished parts business. Its Alexandria location is a major site for disassembling equipment and refurbishing parts. It has one of the most comprehensive used parts equipment inventories in the country with customers placing orders from all over the U.S. and abroad. Today, "Norwel's revenue is derived from seven areas of activity: (1) new equipment, (2) used equipment, (3) parts (new and used), (4) service labor, (5) rentals, (6) Industrial Hydraulics, and (7) Ditch Witch" (Roher, 2000, p. 170). Norwel's organizational structure is shown in Figure 2. Norwel is a partnership whose general partner owns Empire, another construction equipment company based in California. The two companies are managed independently as they primarily serve local markets.

In late 1999, Roher Capital Group developed an analysis of the construction equipment industry and Norwel. The following are excerpts from the Roher report:

The Construction Equipment Industry generates over \$23 billion annually in domestic new equipment shipments. The market is supplied by many firms but is dominated primarily by several major manufacturers including Caterpillar, John Deere, Case Equipment, and Domatsu Dresser. Equipment is sold to the end-user or to rental companies through many firms who operate exclusive dealerships representing these and other manufacturers. John Deere currently utilizes a construction, equipment dealer network of 87 owner groups who operate approximately 461 locations throughout North America. According to John Deere, the average John Deere construction equipment dealer sells approximately 185 new units per year in an AOR [area of responsibility] that has a market potential of 1,040 units for an approximate 18% market share. Including direct sales by John Deere to national accounts, for which

*Figure 1: Expansion Summary (summarized from Norwel, 2000)*

- 1972: Founded, 9/1 in Shreveport
- 1973: Acquired dealerships in Alexandria and Monroe
- 1979: Acquired Lake Charles John Deere market and opened new facility
- 1983: Acquired Baton Rouge and the area north of Lake Ponchatrain John Deere markets
- 1985: Added New Orleans market
- 1988: Added Used Part Division in Alexandria
- 1993: Acquired Ditch Witch dealership for Southern Louisiana
- 1996: Acquired Lafayette John Deere market, completing acquisition of state wide rights
- 1997: Acquired a hydraulic component repair and machine shop and leased a 15,000 sq. ft. central parts warehouse
- 1998: Began selling Morbark chippers and opened a new 3,000 sq. ft. engine and component remanufacturing center in Alexandria

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